

REDTONE DIGITAL BERHAD
(FORMERLY KNOWN AS REDTONE INTERNATIONAL BERHAD)
(Company No. 200201028701 (596364-U))
(Incorporated in Malaysia)

Date: 19 February 2021

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020**

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 Dec 2020 RM'000	As at 30 Jun 2020 RM'000 (Audited)
ASSETS			
Non-current Assets			
Goodwill		423	423
Property, plant and equipment		10,818	12,073
Right-of-use assets		8,544	11,447
Investment properties		1,188	600
Intangible assets		37	63
Development costs		59	98
Other investments		21,946	8,481
Deferred tax assets		2,524	2,524
		<u>45,539</u>	<u>35,709</u>
Current Assets			
Inventories		634	547
Trade and other receivables	A12	71,969	62,054
Contract assets		50,606	52,298
Tax recoverable		235	29
Short term investments		50,040	58,605
Cash and bank balances		42,050	44,039
		<u>215,534</u>	<u>217,572</u>
TOTAL ASSETS		<u>261,073</u>	<u>253,281</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	A7(a)	149,813	149,813
Treasury shares	A7(b)	(5,653)	(5,653)
Reserves		18,490	16,130
		<u>162,650</u>	<u>160,290</u>
Non-controlling interests		2,247	1,417
Total Equity		<u>164,897</u>	<u>161,707</u>
Non-current Liabilities			
Loans and borrowings	B8	1,372	1,417
Lease liabilities		3,139	5,393
		<u>4,511</u>	<u>6,810</u>
Current Liabilities			
Trade and other payables	A13	65,316	66,054
Contract liabilities		14,897	11,769
Loans and borrowings	B8	4,687	88
Lease liabilities		5,038	5,770
Provision for taxation		1,727	1,083
		<u>91,665</u>	<u>84,764</u>
Total Liabilities		<u>96,176</u>	<u>91,574</u>
TOTAL EQUITY AND LIABILITIES		<u>261,073</u>	<u>253,281</u>
Net assets per share (sen)		<u>21.04</u>	<u>20.74</u>

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2020.

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

REDTONE DIGITAL BERHAD
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(Company No. 200201028701 (596364-U))

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended		6 months ended	
		31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
GROUP REVENUE		40,111	44,126	76,314	101,032
PROFIT FROM OPERATIONS		9,272	8,663	16,869	19,401
Investment related income		408	111	968	221
Finance costs	A11	(191)	(532)	(402)	(745)
Share of result of associate		-	(187)	-	(198)
PROFIT BEFORE TAX	B7	9,489	8,055	17,435	18,679
INCOME TAX EXPENSE	B6	(1,660)	(1,829)	(3,779)	(3,602)
PROFIT AFTER TAX		7,829	6,226	13,656	15,077
Other comprehensive item, net of tax <u>Item that will not be reclassified subsequently to profit or loss</u>					
Net changes in fair value of investments at fair value through other comprehensive income		3,247	-	3,487	-
Total comprehensive income for the financial period		11,076	6,226	17,143	15,077
<u>Profit attributable to:-</u>					
Owners of the Company		7,123	5,678	12,786	13,746
Non-controlling interests		706	548	870	1,331
		<u>7,829</u>	<u>6,226</u>	<u>13,656</u>	<u>15,077</u>
<u>Total comprehensive income attributable to:-</u>					
Owners of the Company		10,370	5,678	16,273	13,746
Non-controlling interests		706	548	870	1,331
		<u>11,076</u>	<u>6,226</u>	<u>17,143</u>	<u>15,077</u>
<u>Earnings per share attributable to owners of the parent (sen per share):</u>					
- Basic, for the period	B11	0.92	0.74	1.65	1.79

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 June 2020.

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REDTONE DIGITAL BERHAD
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(Company No. 200201028701 (596364-U))

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	ICULS - equity component	Treasury shares	Foreign exchange reserve	Revaluation reserve	FVTOCI reserve	Distributable 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	RM'000
At 1 July 2020	149,813	-	(5,653)	(663)	641	(150)	16,302	160,290	1,417	161,707
Total comprehensive income	-	-	-	-	-	3,487	12,786	16,273	870	17,143
Transactions with owners:										
- Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(40)	(40)
- Dividend paid	-	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
	-	-	-	-	-	-	(13,913)	(13,913)	(40)	(13,953)
At 31 December 2020	149,813	-	(5,653)	(663)	641	3,337	15,175	162,650	2,247	164,897
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	194	(194)	-	-	-	-	-	-	-	-
At 31 December 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 year ended 30 June 2020.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	67,019	52,618
Payment for operating expenses	(49,998)	(65,319)
Net tax (payment)/refund	(3,340)	1,010
Other payments	(146)	(209)
Net cash generated from/(used in) operating activities	<u>13,535</u>	<u>(11,900)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment	1	1
Decrease in deposits and short term investments	8,465	23,667
Acquisition of quoted shares	(11,336)	(1,975)
Acquisition of property, plant and equipment	(577)	(363)
Interest received	755	707
Dividend received	35	-
Net cash (used in)/generated from investing activities	<u>(2,657)</u>	<u>22,037</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(3,249)	(1,608)
Repayment of bank borrowings and other loans	(44)	(41)
Dividend paid to non-controlling interest	(40)	-
Dividend paid	(13,913)	(7,492)
Interest paid	(402)	(745)
Net cash used in financing activities	<u>(17,648)</u>	<u>(9,886)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(6,770)	251
OPENING CASH AND CASH EQUIVALENTS	<u>5,570</u>	<u>2,708</u>
CLOSING CASH AND CASH EQUIVALENTS	<u>(1,200)</u>	<u>2,959</u>
The closing cash and cash equivalents comprise of the following:		
Deposits with licensed banks	38,652	40,055
Cash on hand and at banks	3,398	2,959
Bank overdrafts (Note B8)	(4,598)	-
	<u>37,452</u>	<u>43,014</u>
Less:		
Deposits pledged to licensed banks	(38,652)	(40,055)
	<u>(1,200)</u>	<u>2,959</u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 30 June 2020

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

REDTONE DIGITAL BERHAD
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A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

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 year ended 30 June 2020. 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 year ended 30 June 2020.

A2. Changes in accounting policies

The accounting policies and method of computation adopted in the preparation of the interim financial report are consistent with those adopted in the audited financial statements for the previous financial year.

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 July 2020. The initial application of these 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. 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 except for the following:-

- i) The Company had on 23 November 2020, incorporated a 60%-owned subsidiary company under the name of Bytebuilder Sdn Bhd ("BBSB") with a paid-up share capital of RM100.00. The intended principal activity of BBSB is the provision of fibre optic transmission network services.

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 2020:

(a) Share capital

	Number of Ordinary Shares	RM
Share capital as at 1 July 2020/31 December 2020	782,453,885	149,812,475

(b) Share buy-back

There was no share buy back transacted during the quarter ended 31 December 2020 and the number of treasury shares held in hand as at 31 December 2020 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 31 December 2020	0.595	9,502,000	5,653

As at 31 December 2020, the number of outstanding shares in issue with voting rights was 772,951,885 (30 June 2020: 772,951,885) ordinary shares.

A8. Contingent liability

Bank guarantees of the Group are as follows:

	As at 31 Dec 2020 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Performance bonds in favour of various customers	28,704	28,193

A9. Dividends paid

An interim dividend of 1.8 sen per share in respect of the financial year ended 30 June 2020 was paid on 8 October 2020.

A10. Segment information

The segment information for the reportable segments by line of business for the period ended 31 December 2020 are as follows:-

	Year to date 31 Dec 2020 RM'000
<u>Revenue</u>	
Telecommunication services	37,679
Managed telecommunication network services ("MTNS")	37,143
Industry digital services	1,492
Total revenue	76,314
<u>Results</u>	
Telecommunication services	15,653
MTNS	4,054
Industry digital services	(1,283)
	18,424
Indirect corporate expenses	(1,555)
Profit from operations	16,869
Investment related income	968
Finance costs	(402)
Profit before tax	17,435
Income tax expense	(3,779)
Profit after tax	13,656

A11. Finance costs

	3 months ended		6 months ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Interest expense on:				
- ICULS	-	38	-	78
- term loans	17	18	35	37
- bank guarantee	5	317	8	332
- lease liability	149	127	322	247
- others	20	32	37	51
	191	532	402	745

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 2020 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Trade receivables	60,099	50,193
Other receivables		
- Third parties, associates and sundry receivables	7,470	7,863
- Deposits receivables	2,450	2,304
- Prepayments	1,950	1,694
	11,870	11,861
Total	71,969	62,054

A13. Trade and other payables

Payables of the Group are as follows:

	As at 31 Dec 2020 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Trade payables	50,806	51,484
Other payables		
- Provision for Universal Service Fund Contribution	6,916	6,298
- Accruals	4,507	3,697
- Deposits payable	1,815	1,904
- Sundry payables	1,272	2,671
	<u>14,510</u>	<u>14,570</u>
Total	<u>65,316</u>	<u>66,054</u>

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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 2020

	3 months ended			6 months ended		
	31 Dec 2020	31 Dec 2019	%	31 Dec 2020	31 Dec 2019	%
	RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue	40,111	44,126	-9.10	76,314	101,032	-24.47
Profit from operations	9,272	8,663	7.03	16,869	19,401	-13.05
Profit before tax	9,489	8,055	17.80	17,435	18,679	-6.66

Review of results for the quarter

For the quarter under review, the Group reported a revenue of RM40.11 million which was 9.10% lower than the RM44.13 million reported in the previous year corresponding quarter mainly due to lower revenue contributed by the MTNS segment.

The Group posted a profit before tax for the current quarter of RM9.49 million, which was 17.80% higher than the RM8.06 million reported in the previous year corresponding quarter mainly due to higher gross profit contribution from the MTNS segment.

Review of results for the 6-month period

For the period under review, the Group reported a revenue of RM76.31 million which was 24.47% lower than the RM101.03 million in the previous year corresponding period mainly due to lower revenue contributed by the MTNS segment.

The Group posted a profit before tax for the current period of RM17.44 million which was 6.66% lower than the RM18.68 million in the previous year corresponding period mainly due to lower revenue contribution from the MTNS segment.

B2. Review of results of second quarter 2021 vs first quarter 2021

	3 months ended		% + / (-)
	31 Dec 2020	30 Sep 2020	
	RM'000	RM'000	
Revenue	40,111	36,203	10.79
Profit from operations	9,272	7,597	22.05
Profit before tax	9,489	7,946	19.42

Commentary on revenue

The Group reported a revenue of RM40.11 million in this current quarter under review which was 10.79% higher than the RM36.20 million reported in the preceding quarter mainly due to higher revenue from the MTNS segment.

Commentary on pre-tax profit

The Group reported a profit before tax of RM9.49 million which was 19.42% higher than the RM7.95 million in the preceding quarter mainly due to higher revenue from the MTNS segment.

B3. Prospects and business outlook

The Board of Directors is of the view that the operating performance of the Group for the remaining quarters of the financial year ending 30 June 2021 will be challenging and 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 to remain significant while data services for enterprise market would continue to be the main focus in extracting growth from recurring businesses.

Economic stimulus packages introduced by the Government helps soften the impact of the COVID-19 pandemic on the country's economy while preserving the welfare of the people. These measures support a gradual normalization of the economic activities in the country until successful containment of the pandemic which has been impacting many businesses. The Board believes technology is the way forward to thrive in this unprecedented crisis. In response to that, REDtone has introduced a few technological solutions on digital transformation in order to adapt to the rapidly changing business environment and to operate efficiently during this challenging time.

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 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Current income tax:				
Provision in current period				
- Malaysian income tax	(1,660)	(1,829)	(3,779)	(3,602)

The disproportionate tax charge of the Group for the quarter was mainly due to losses in certain subsidiary companies.

B7. Profit before tax

	3 months ended		6 months ended	
	31 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Audit fee - Statutory audit	88	87	170	176
Amortisation of intangible asset	13	32	25	64
Amortisation of development cost	19	20	39	40
Depreciation of property, plant and equipment	609	818	1,244	1,573
Depreciation of right-of-use assets	1,580	671	3,166	1,342
Gain on foreign exchange	39	2	32	(6)
Allowance for/(writeback of) doubtful debts on:				
- trade receivables	59	39	147	(38)
Provision for Universal Service Fund Contribution	306	409	617	780
Properties, plant and equipment written off	-	-	-	8
Expenses relating to leases				
- short term leases	204	-	477	-
- leases of low value assets	41	-	85	-
Rental of computers	-	5	-	19
Rental of offices	-	35	-	87
Staff cost:				
- salaries, bonus, wages and allowances	5,626	6,138	11,096	12,295
- defined contribution plan	662	733	1,342	1,473
- net provision of annual leave	(47)	(54)	83	12
Interest income	(353)	(345)	(898)	(707)
Other income	(62)	(111)	(76)	(221)

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

B8. Loans and borrowings

Loans and borrowings of the Group are as follows:

	As at 31 Dec 2020 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	89	88
Bank overdrafts, which are denominated in Ringgit Malaysia	4,598	-
	<u>4,687</u>	<u>88</u>
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,372	1,417
Total	<u>6,059</u>	<u>1,505</u>

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 Dec 2020 RM'000	31 Dec 2019 RM'000	31 Dec 2020 RM'000	31 Dec 2019 RM'000
Profit attributable to owners of the Company	7,123	5,678	12,786	13,746
Impact on income statement upon conversion of ICULS	-	38	-	78
Adjusted net profit attributable to owners of the Company	<u>7,123</u>	<u>5,716</u>	<u>12,786</u>	<u>13,824</u>
Weighted average number of ordinary shares in issue with voting rights ('000)	772,952	749,361	772,952	749,361
Weighted average number of shares to be issued upon conversion of mandatorily convertible ICULS ('000)	-	23,936	-	23,936
Number of shares used in the calculation of basic earnings per share ('000)	<u>772,952</u>	<u>773,297</u>	<u>772,952</u>	<u>773,297</u>
Basic earnings per share (sen)	<u>0.92</u>	<u>0.74</u>	<u>1.65</u>	<u>1.79</u>

There are no potential ordinary shares outstanding as at 31 December 2020. As such, the fully diluted earnings per share of the Group is not presented.