

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

Date: 20 May 2021

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 MARCH 2021**

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 MARCH 2021
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 Mar 2021 RM'000	As at 30 Jun 2020 RM'000 (Audited)
ASSETS			
Non-current Assets			
Goodwill		423	423
Property, plant and equipment		10,402	12,073
Right-of-use assets		9,079	11,447
Investment properties		1,188	600
Intangible assets		25	63
Development costs		39	98
Other investments		23,972	8,481
Deferred tax assets		2,524	2,524
		<u>47,652</u>	<u>35,709</u>
Current Assets			
Inventories		686	547
Trade and other receivables	A12	29,226	62,054
Contract assets		70,485	52,298
Tax recoverable		525	29
Short term investments		68,681	58,605
Cash and bank balances		38,255	44,039
		<u>207,858</u>	<u>217,572</u>
TOTAL ASSETS		<u>255,510</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		26,660	16,130
		<u>170,820</u>	<u>160,290</u>
Non-controlling interests		2,527	1,417
Total Equity		<u>173,347</u>	<u>161,707</u>
Non-current Liabilities			
Loans and borrowings	B8	1,349	1,417
Lease liabilities		2,991	5,393
		<u>4,340</u>	<u>6,810</u>
Current Liabilities			
Trade and other payables	A13	65,878	66,054
Contract liabilities		2,823	11,769
Loans and borrowings	B8	91	88
Lease liabilities		5,699	5,770
Provision for taxation		3,332	1,083
		<u>77,823</u>	<u>84,764</u>
Total Liabilities		<u>82,163</u>	<u>91,574</u>
TOTAL EQUITY AND LIABILITIES		<u>255,510</u>	<u>253,281</u>
Net assets per share (sen)		<u>22.10</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 THIRD QUARTER ENDED 31 MARCH 2021
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	3 months ended		9 months ended	
		31 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
GROUP REVENUE		44,161	37,557	120,475	138,589
PROFIT FROM OPERATIONS		9,690	5,607	26,559	25,008
Investment related income		189	99	1,157	320
Investment related expense		-	(6)	-	(6)
Finance costs	A11	(253)	(215)	(655)	(960)
Share of result of associate		-	34	-	(164)
PROFIT BEFORE TAX	B7	9,626	5,519	27,061	24,198
INCOME TAX EXPENSE	B6	(3,202)	(4,340)	(6,981)	(7,942)
PROFIT AFTER TAX		6,424	1,179	20,080	16,256
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					
		2,026	(211)	5,513	(211)
Total comprehensive income for the financial period		8,450	968	25,593	16,045
<u>Profit attributable to:-</u>					
Owners of the Company		6,144	1,051	18,930	14,797
Non-controlling interests		280	128	1,150	1,459
		6,424	1,179	20,080	16,256
<u>Total comprehensive income attributable to:-</u>					
Owners of the Company		8,170	840	24,443	14,586
Non-controlling interests		280	128	1,150	1,459
		8,450	968	25,593	16,045
<u>Earnings per share attributable to owners of the parent (sen per share):</u>					
- Basic, for the period	B11	0.79	0.14	2.44	1.93

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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UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 31 MARCH 2021
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	-	-	-	-	-	5,513	18,930	24,443	1,150	25,593
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 March 2021	149,813	-	(5,653)	(663)	641	5,363	21,319	170,820	2,527	173,347
At 1 July 2019	147,587	2,226	(5,653)	(663)	641	-	17,184	161,322	(690)	160,632
Total comprehensive income	-	-	-	-	-	(211)	14,797	14,586	1,459	16,045
Transactions with owners:										
- Dividend paid	-	-	-	-	-	-	(7,492)	(7,492)	-	(7,492)
- Issuance of shares pursuant to conversion of ICULS	2,226	(2,226)	-	-	-	-	-	-	-	-
	2,226	(2,226)	-	-	-	-	(7,492)	(7,492)	-	(7,492)
At 31 March 2020	149,813	-	(5,653)	(663)	641	(211)	24,489	168,416	769	169,185

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 THIRD QUARTER ENDED 31 MARCH 2021
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 months ended	
	31 Mar 2021	31 Mar 2020
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	135,622	123,152
Payment for operating expenses	(95,279)	(93,281)
Net tax payment	(5,228)	(1,441)
Other payments	(142)	(139)
Net cash generated from operating activities	<u>34,973</u>	<u>28,291</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment	1	1
Increase in deposits and short term investments	(5,959)	(13,438)
Acquisition of quoted shares	(11,336)	(1,975)
Acquisition of property, plant and equipment	(731)	(487)
Interest received	819	986
Dividend received	35	-
Net cash used in investing activities	<u>(17,171)</u>	<u>(14,913)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of bank borrowings and other loans	-	6,000
Payment of lease liabilities	(4,879)	(2,597)
Repayment of bank borrowings and other loans	(65)	(6,062)
Dividend paid to non-controlling interest	(40)	-
Dividend paid	(13,913)	(7,492)
Interest paid	(655)	(960)
Net cash used in financing activities	<u>(19,552)</u>	<u>(11,111)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,750)	2,267
OPENING CASH AND CASH EQUIVALENTS	5,570	2,708
CLOSING CASH AND CASH EQUIVALENTS	<u>3,820</u>	<u>4,975</u>
The closing cash and cash equivalents comprise of the following:		
Deposits with licensed banks	34,435	40,214
Cash on hand and at banks	3,820	4,975
	<u>38,255</u>	<u>45,189</u>
Less:		
Deposits pledged to licensed banks	(34,435)	(40,214)
	<u>3,820</u>	<u>4,975</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 THIRD QUARTER ENDED 31 MARCH 2021

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 end of the last annual reporting period.

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 the 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 March 2021:

(a) Share capital

	Number of Ordinary Shares	RM
Share capital as at 1 July 2020/31 March 2021	782,453,885	149,812,475

(b) Share buy-back

There was no share buy back transacted during the quarter ended 31 March 2021 and the number of treasury shares held in hand as at 31 March 2021 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 31 March 2021	0.595	9,502,000	5,653

As at 31 March 2021, 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 Mar 2021 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Performance bonds in favour of various customers	38,557	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 March 2021 are as follows:-

	Year to date 31 Mar 2021 RM'000
<u>Revenue</u>	
Telecommunication services	56,745
Managed telecommunication network services ("MTNS")	61,302
Industry digital services	2,428
Total revenue	120,475
<u>Results</u>	
Telecommunication services	24,339
MTNS	6,428
Industry digital services	(1,797)
	28,970
Indirect corporate expenses	(2,411)
Profit from operations	26,559
Investment related income	1,157
Finance costs	(655)
Profit before tax	27,061
Income tax expense	(6,981)
Profit after tax	20,080

A11. Finance costs

	3 months ended		9 months ended	
	31 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Interest expense on:				
- bank overdrafts	13	47	13	47
- ICULS	-	26	-	104
- term loans	17	19	52	56
- lease liability	167	116	489	363
- others	19	6	56	57
Bank guarantee fee	37	1	45	333
	253	215	655	960

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 Mar 2021 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Trade receivables	17,267	50,193
Other receivables		
- Third parties, associates and sundry receivables	7,453	7,863
- Deposits receivables	2,446	2,304
- Prepayments	2,060	1,694
	11,959	11,861
Total	29,226	62,054

A13. Trade and other payables

Payables of the Group are as follows:

	As at 31 Mar 2021 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Trade payables	51,657	51,484
Other payables		
- Provision for Universal Service Fund Contribution	6,603	6,298
- Accruals	4,649	3,697
- Deposits payable	1,808	1,904
- Sundry payables	1,161	2,671
	<u>14,221</u>	<u>14,570</u>
Total	<u>65,878</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 March 2021

	3 months ended			9 months ended		
	31 Mar 2021	31 Mar 2020	%	31 Mar 2021	31 Mar 2020	%
	RM'000	RM'000	+ / (-)	RM'000	RM'000	+ / (-)
Revenue	44,161	37,557	17.58	120,475	138,589	-13.07
Profit from operations	9,690	5,607	72.82	26,559	25,008	6.20
Profit before tax	9,626	5,519	74.42	27,061	24,198	11.83

Review of results for the quarter

For the quarter under review, the Group reported a revenue of RM44.16 million which was 17.58% higher than the RM37.56 million reported in the previous year corresponding quarter mainly due to higher revenue contributed by the MTNS segment.

The Group posted a profit before tax for the current quarter of RM9.63 million, which was 74.42% higher than the RM5.52 million reported in the previous year corresponding quarter mainly due to higher gross profit contributed by the MTNS segment. In addition, in the previous year corresponding quarter's pre-tax profit, it included the amortisation of 2300 MHz spectrum band.

Review of results for the 9-month period

For the period under review, the Group reported a revenue of RM120.48 million which was 13.07% lower than the RM138.59 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 RM27.06 million which was 11.83% higher than the RM24.20 million in the previous year corresponding period mainly because in the previous year corresponding period, the results included the amortisation of 2300 MHz spectrum band.

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

	3 months ended		% + / (-)
	31 Mar 2021	31 Dec 2020	
	RM'000	RM'000	
Revenue	44,161	40,111	10.10
Profit from operations	9,690	9,272	4.51
Profit before tax	9,626	9,489	1.44

Commentary on revenue

The Group reported a revenue of RM44.16 million in this current quarter under review which was 10.10% higher than the RM40.11 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 RM9.63 million which was 1.44% higher than the RM9.49 million in the preceding quarter mainly due to higher gross profit from the telecommunication services segment.

B3. Prospects and business outlook

With the impact of the prolonged COVID-19 pandemic on the economy, 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 June 2021 will be challenging and competitive. 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.

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		9 months ended	
	31 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Current income tax:				
Provision in current period				
- Malaysian income tax	(3,367)	(2,540)	(7,146)	(6,142)
Over/(under) provision in prior years	165	(1,800)	165	(1,800)
Total	(3,202)	(4,340)	(6,981)	(7,942)

The disproportionate tax charge of the Group for the current quarter was mainly due to 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 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Audit fee - Statutory audit	89	83	259	259
Amortisation of intangible asset	13	3,096	38	3,121
Amortisation of development cost	20	20	59	59
Depreciation of property, plant and equipment	569	771	1,813	2,307
Depreciation of right-of-use assets	1,609	657	4,775	2,036
Loss/(gain) on foreign exchange	30	4	62	(2)
(Writeback of)/allowance for doubtful debts on:				
- trade receivables	(8)	(24)	139	(62)
Provision for Universal Service Fund Contribution	335	272	952	1,052
Properties, plant and equipment written off	-	-	-	8
Expenses relating to leases				
- short term leases	189	-	666	-
- leases of low value assets	44	-	129	-
Rental of computers	-	(14)	-	5
Rental of offices	-	27	-	114
Staff cost:				
- salaries, bonus, wages and allowances	5,643	5,100	16,739	17,395
- defined contribution plan	695	588	2,037	2,061
- net (write back)/provision of annual leave	(5)	(8)	78	4
Interest income	(136)	(279)	(1,034)	(986)
Other income	(70)	(99)	(146)	(320)

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 Mar 2021 RM'000	As at 30 Jun 2020 RM'000 (Audited)
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	91	88
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,349	1,417
Total	1,440	1,505

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		9 months ended	
	31 Mar 2021 RM'000	31 Mar 2020 RM'000	31 Mar 2021 RM'000	31 Mar 2020 RM'000
Profit attributable to owners of the Company	6,144	1,051	18,930	14,797
Impact on income statement upon conversion of ICULS	-	26	-	104
Adjusted net profit attributable to owners of the Company	<u>6,144</u>	<u>1,077</u>	<u>18,930</u>	<u>14,901</u>
Weighted average number of ordinary shares in issue with voting rights ('000)	772,952	751,354	772,952	751,354
Weighted average number of shares to be issued upon conversion of mandatorily convertible ICULS ('000)	-	21,598	-	21,598
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>0.79</u>	<u>0.14</u>	<u>2.44</u>	<u>1.93</u>

There are no potential ordinary shares outstanding as at 31 March 2021. As such, the fully diluted earnings per share of the Group is not presented.