

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

Date: 18 November 2021

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021**

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 Sep 2021 RM'000	As at 30 Jun 2021 RM'000 (Audited)
ASSETS			
Non-current Assets			
Goodwill		423	423
Property, plant and equipment		9,720	10,058
Right-of-use assets		8,149	7,886
Investment properties		1,180	1,180
Intangible assets		-	13
Development costs		-	20
Other investments		24,726	24,455
Deferred tax assets		1,485	1,485
		<u>45,683</u>	<u>45,520</u>
Current Assets			
Inventories		670	572
Trade and other receivables	A12	64,715	58,348
Contract assets		72,526	75,787
Tax recoverable		335	266
Short term investments		66,854	50,002
Cash and bank balances		32,972	42,449
		<u>238,072</u>	<u>227,424</u>
TOTAL ASSETS		<u>283,755</u>	<u>272,944</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		28,894	34,499
		<u>173,054</u>	<u>178,659</u>
Non-controlling interests		5,138	4,262
Total Equity		<u>178,192</u>	<u>182,921</u>
Non-current Liabilities			
Loans and borrowings	B8	1,293	1,317
Lease liabilities		2,340	2,367
		<u>3,633</u>	<u>3,684</u>
Current Liabilities			
Trade and other payables	A13	86,874	72,464
Contract liabilities		6,194	5,490
Loans and borrowings	B8	93	92
Lease liabilities		5,262	5,061
Provision for taxation		3,507	3,232
		<u>101,930</u>	<u>86,339</u>
Total Liabilities		<u>105,563</u>	<u>90,023</u>
TOTAL EQUITY AND LIABILITIES		<u>283,755</u>	<u>272,944</u>
Net assets per share (sen)		<u>22.39</u>	<u>23.11</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 2021.

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

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended	
		30 Sep 2021	30 Sep 2020
		RM'000	RM'000
GROUP REVENUE		38,522	36,203
PROFIT FROM OPERATIONS		12,464	7,597
Investment related income		285	560
Investment related expense		(8)	-
Finance costs	A11	(289)	(211)
PROFIT BEFORE TAX	B7	12,452	7,946
INCOME TAX EXPENSE	B6	(3,539)	(2,119)
PROFIT AFTER TAX		8,913	5,827
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		271	240
Total comprehensive income for the financial period		9,184	6,067
<u>Profit attributable to:-</u>			
Owners of the Company		8,037	5,663
Non-controlling interests		876	164
		8,913	5,827
<u>Total comprehensive income attributable to:-</u>			
Owners of the Company		8,308	5,903
Non-controlling interests		876	164
		9,184	6,067
<u>Earnings per share attributable to owners of the parent (sen per share):</u>			
- Basic, for the period	B11	1.04	0.73

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 2021.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	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
At 1 July 2021	149,813	(5,653)	(663)	641	5,846	28,675	178,659	4,262	182,921
Total comprehensive income	-	-	-	-	271	8,037	8,308	876	9,184
Transaction with owners:									
- Dividend payable	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
At 30 September 2021	149,813	(5,653)	(663)	641	6,117	22,799	173,054	5,138	178,192
At 1 July 2020	149,813	(5,653)	(663)	641	(150)	16,302	160,290	1,417	161,707
Total comprehensive income	-	-	-	-	240	5,663	5,903	164	6,067
Transactions with owners:									
- Dividend paid to non-controlling interest	-	-	-	-	-	-	-	(40)	(40)
- Dividend payable	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
	-	-	-	-	-	(13,913)	(13,913)	(40)	(13,953)
At 30 September 2020	149,813	(5,653)	(663)	641	90	8,052	152,280	1,541	153,821

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 2021.

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended	
	30 Sep 2021	30 Sep 2020
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	34,633	27,052
Payment for operating expenses	(21,777)	(23,044)
Net tax payment	(3,333)	(1,683)
Other payments	(6)	(2)
Net cash generated from operating activities	<u>9,517</u>	<u>2,323</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase)/decrease in deposits and short term investments	(16,930)	4,145
Acquisition of quoted shares	-	(7,354)
Acquisition of property, plant and equipment	(147)	(31)
Interest received	157	474
Net cash used in investing activities	<u>(16,920)</u>	<u>(2,766)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(1,840)	(1,615)
Repayment of bank borrowings and other loans	(23)	(22)
Dividend paid to non-controlling interest	-	(40)
Interest paid	(289)	(211)
Net cash used in financing activities	<u>(2,152)</u>	<u>(1,888)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,555)	(2,331)
OPENING CASH AND CASH EQUIVALENTS	14,837	5,570
CLOSING CASH AND CASH EQUIVALENTS	<u>5,282</u>	<u>3,239</u>
The closing cash and cash equivalents comprise of the following:		
Deposits with licensed banks	27,690	38,582
Cash on hand and at banks	5,282	3,239
	<u>32,972</u>	<u>41,821</u>
Less:		
Deposits pledged to licensed banks	(27,690)	(38,582)
	<u>5,282</u>	<u>3,239</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 2021.

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 FIRST QUARTER ENDED 30 SEPTEMBER 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 2021. 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 2021. 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.

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 30 September 2021:

(a) Share capital

	Number of Ordinary Shares	RM
Share capital as at 1 July 2021/30 September 2021	782,453,885	149,812,475

(b) Share buy-back

There was no share buy back transacted during the quarter ended 30 September 2021 and the number of treasury shares held in hand as at 30 September 2021 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 30 September 2021	0.595	9,502,000	5,653

As at 30 September 2021, the number of outstanding shares in issue with voting rights was 772,951,885 (30 June 2021: 772,951,885) ordinary shares.

A8. Contingent liability

Bank guarantees of the Group are as follows:

	As at 30 Sep 2021 RM'000	As at 30 Jun 2021 RM'000 (Audited)
Performance bonds in favour of various customers	37,323	38,326

A9. Dividends paid

An interim dividend of 1.8 sen per share in respect of the financial year ended 30 June 2021 was paid on 18 November 2021.

A10. Segment information

The segment information for the reportable segments by line of business for the quarter ended 30 September 2021 are as follows:-

	Year to date 30 Sep 2021 RM'000
<u>Revenue</u>	
Telecommunication services	17,639
Managed telecommunication network services ("MTNS")	20,002
Industry digital services	881
Total revenue	38,522
<u>Results</u>	
Telecommunication services	8,066
MTNS	5,741
Industry digital services	(601)
	13,206
Indirect corporate expenses	(742)
Profit from operations	12,464
Investment related income	285
Investment related expenses	(8)
Finance costs	(289)
Profit before tax	12,452
Income tax expense	(3,539)
Profit after tax	8,913

A11. Finance costs

	3 months ended	
	30 Sep 2021 RM'000	30 Sep 2020 RM'000
Interest expense on:		
- term loans	17	18
- lease liabilities	139	173
- others	17	17
Bank guarantee fee	116	3
	289	211

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 30 Sep 2021 RM'000	As at 30 Jun 2021 RM'000 (Audited)
Trade receivables	54,404	48,435
Other receivables		
- Third parties, associates and sundry receivables	5,925	5,990
- Deposits receivables	2,448	2,442
- Prepayments	1,938	1,481
	10,311	9,913
Total	64,715	58,348

A13. Trade and other payables

Payables of the Group are as follows:

	As at 30 Sep 2021 RM'000	As at 30 Jun 2021 RM'000 (Audited)
Trade payables	54,855	57,190
Other payables		
- Provision for Universal Service Fund Contribution	6,501	6,671
- Accruals	6,870	5,844
- Deposits payable	1,827	1,777
- Dividend payable	13,913	-
- Sundry payables	2,908	982
	<u>32,019</u>	<u>15,274</u>
Total	<u>86,874</u>	<u>72,464</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 30 September 2021

	<u>3 months ended</u>		%
	<u>30 Sep 2021</u>	<u>30 Sep 2020</u>	
	RM'000	RM'000	+ / (-)
Revenue	38,522	36,203	6.41
Profit from operations	12,464	7,597	64.06
Profit before tax	12,452	7,946	56.71

Review of results for the quarter

For the quarter under review, the Group reported a revenue of RM38.52 million which was 6.41% higher than the RM36.20 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 RM12.45 million, which was 56.71% higher than RM7.95 million reported in the previous year corresponding quarter mainly due to higher gross profit contributed by MTNS segment.

B2. Review of results of first quarter 2022 vs fourth quarter 2021

	<u>3 months ended</u>		%
	<u>30 Sep 2021</u>	<u>30 Jun 2021</u>	
	RM'000	RM'000	+ / (-)
Revenue	38,522	56,621	-31.97
Profit from operations	12,464	12,964	-3.86
Profit before tax	12,452	12,877	-3.30

Commentary on revenue

The Group reported a revenue of RM38.52 million in this current quarter under review which was 31.97% lower than the RM56.62 million reported in the preceding quarter mainly due to lower revenue from the MTNS segment.

Commentary on pre-tax profit

The Group reported a profit before tax of RM12.45 million which was comparable to the preceding quarter. In current quarter, higher gross profit contributed by MTNS segment.

B3. Prospects and business outlook

2020 to 2021 has been uncertain for many businesses as the COVID-19 pandemic continued to raise concern and uncertainty, impacting the Malaysian economy. Thus, the Board of Directors is of the view that the business and operating performance of the Group for the remaining quarters of the financial year ending 30 June 2022 will remain challenging and competitive. The Group will continue to adopt 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

	<u>3 months ended</u>	
	<u>30 Sep 2021</u>	<u>30 Sep 2020</u>
	RM'000	RM'000
Current income tax:		
Provision in current period		
- Malaysian income tax	(3,539)	(2,119)

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

B7. Profit before tax

	3 months ended	
	30 Sep 2021	30 Sep 2020
	RM'000	RM'000
Profit before tax is arrived at after charging/(crediting):-		
Audit fee - Statutory audit	87	83
Amortisation of intangible asset	12	12
Amortisation of development cost	20	20
Depreciation of property, plant and equipment	466	635
Depreciation of right-of-use assets	1,751	1,586
Loss/(gain) on foreign exchange	1	(7)
(Writeback of)/allowance for doubtful debts on:		
- trade receivables	(159)	88
Provision for Universal Service Fund Contribution	281	311
Expenses relating to leases		
- short term leases	204	273
- leases of low value assets	47	44
Staff cost:		
- salaries, bonus, wages and allowances	5,795	5,470
- defined contribution plan	692	680
- net provision of annual leave	378	130
Interest income	(196)	(474)
Other income	(473)	(86)

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 30 Sep 2021 RM'000	As at 30 Jun 2021 RM'000 (Audited)
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	93	92
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,293	1,317
Total	1,386	1,409

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	
	30 Sep 2021	30 Sep 2020
	RM'000	RM'000 (Audited)
Profit attributable to owners of the Company	8,037	5,663
Weighted average number of ordinary shares in issue with voting rights ('000)	772,952	772,952
Basic earnings per share (sen)	1.04	0.73

There are no potential ordinary shares outstanding as at 30 September 2021. As such, the fully diluted earnings per share of the Group is not presented.