

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

Date: 16 February 2022

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021**

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UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 Dec 2021 RM'000	As at 30 Jun 2021 RM'000 (Audited)
ASSETS			
Non-current Assets			
Goodwill		423	423
Property, plant and equipment		9,730	10,058
Right-of-use assets		6,703	7,886
Investment properties		1,180	1,180
Intangible assets		-	13
Development costs		-	20
Other investments		25,313	24,455
Deferred tax assets		1,485	1,485
		<u>44,834</u>	<u>45,520</u>
Current Assets			
Inventories		741	572
Trade and other receivables	A12	31,061	58,348
Contract assets		87,514	75,787
Tax recoverable		291	266
Short term investments		84,097	50,002
Cash and bank balances		34,585	42,449
		<u>238,289</u>	<u>227,424</u>
TOTAL ASSETS		<u>283,123</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		40,461	34,499
		<u>184,621</u>	<u>178,659</u>
Non-controlling interests		6,053	4,262
Total Equity		<u>190,674</u>	<u>182,921</u>
Non-current Liabilities			
Loans and borrowings	B8	1,269	1,317
Lease liabilities		1,636	2,367
		<u>2,905</u>	<u>3,684</u>
Current Liabilities			
Trade and other payables	A13	73,309	72,464
Contract liabilities		6,625	5,490
Loans and borrowings	B8	94	92
Lease liabilities		4,424	5,061
Provision for taxation		5,092	3,232
		<u>89,544</u>	<u>86,339</u>
Total Liabilities		<u>92,449</u>	<u>90,023</u>
TOTAL EQUITY AND LIABILITIES		<u>283,123</u>	<u>272,944</u>
Net assets per share (sen)		<u>23.89</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.

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended		6 months ended	
		31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
GROUP REVENUE		40,393	40,111	78,915	76,314
PROFIT FROM OPERATIONS		12,747	9,272	25,211	16,869
Investment related income		3,441	408	3,726	968
Investment related expense		-	-	(8)	-
Finance costs	A11	(274)	(191)	(563)	(402)
PROFIT BEFORE TAX	B7	15,914	9,489	28,366	17,435
INCOME TAX EXPENSE	B6	(4,019)	(1,660)	(7,558)	(3,779)
PROFIT AFTER TAX		11,895	7,829	20,808	13,656
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		587	3,247	858	3,487
Total comprehensive income for the financial period		12,482	11,076	21,666	17,143
<u>Profit attributable to:-</u>					
Owners of the Company		10,980	7,123	19,017	12,786
Non-controlling interests		915	706	1,791	870
		11,895	7,829	20,808	13,656
<u>Total comprehensive income attributable to:-</u>					
Owners of the Company		11,567	10,370	19,875	16,273
Non-controlling interests		915	706	1,791	870
		12,482	11,076	21,666	17,143
<u>Earnings per share attributable to owners of the parent (sen per share):</u>					
- Basic, for the period	B11	1.42	0.92	2.46	1.65

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.

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

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 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	-	-	-	-	858	19,017	19,875	1,791	21,666
Transaction with owners:									
- Dividend paid	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
At 31 December 2021	149,813	(5,653)	(663)	641	6,704	33,779	184,621	6,053	190,674
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

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.

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

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	94,512	67,019
Payment for operating expenses	(47,215)	(49,998)
Net tax payment	(5,723)	(3,340)
Other payments	(78)	(146)
Net cash generated from operating activities	41,496	13,535
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of property, plant and equipment	11	1
(Increase)/decrease in deposits and short term investments	(34,237)	8,465
Acquisition of quoted shares	-	(11,336)
Acquisition of property, plant and equipment	(610)	(577)
Interest received	332	755
Investment income received	3,137	-
Dividend received	69	35
Net cash used in investing activities	(31,298)	(2,657)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(3,682)	(3,249)
Repayment of bank borrowings and other loans	(46)	(44)
Dividend paid to non-controlling interest	-	(40)
Dividend paid	(13,913)	(13,913)
Interest paid	(563)	(402)
Net cash used in financing activities	(18,204)	(17,648)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(8,006)	(6,770)
OPENING CASH AND CASH EQUIVALENTS	14,837	5,570
CLOSING CASH AND CASH EQUIVALENTS	6,831	(1,200)
The closing cash and cash equivalents comprise of the following:		
Deposits with licensed banks	27,754	38,652
Cash on hand and at banks	6,831	3,398
Bank overdrafts	-	(4,598)
	34,585	37,452
Less:		
Deposits pledged to licensed banks	(27,754)	(38,652)
	6,831	(1,200)

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
(Company No. 200201028701 (596364-U))

A. NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 31 December 2021:

(a) Share capital

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

(b) Share buy-back

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

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

As at 31 December 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 31 Dec 2021 RM'000	As at 30 Jun 2021 RM'000 (Audited)
Performance bonds in favour of various customers	38,335	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 (Period ended 31 December 2020: 1.8 sen per share).

A10. Segment information

The segment information for the reportable segments by line of business for the period ended 31 December 2021 are as follows:-

	Year to date 31 Dec 2021 RM'000
<u>Revenue</u>	
Telecommunication services	36,505
Managed telecommunication network services ("MTNS")	40,365
Industry digital services	2,045
Total revenue	<u>78,915</u>
<u>Results</u>	
Telecommunication services	16,588
MTNS	11,166
Industry digital services	<u>(1,056)</u>
	26,698
Indirect corporate expenses	<u>(1,487)</u>
Profit from operations	25,211
Investment related income	3,726
Investment related expenses	(8)
Finance costs	<u>(563)</u>
Profit before tax	28,366
Income tax expense	<u>(7,558)</u>
Profit after tax	<u>20,808</u>

A11. Finance costs

	3 months ended		6 months ended	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Interest expense on:				
- term loans	16	17	33	35
- lease liabilities	117	149	256	322
- others	20	20	37	37
Bank guarantee fee	121	5	237	8
	<u>274</u>	<u>191</u>	<u>563</u>	<u>402</u>

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 2021 RM'000	As at 30 Jun 2021 RM'000 (Audited)
Trade receivables	19,839	48,435
Other receivables		
- Third parties, associates and sundry receivables	6,431	5,990
- Deposits receivables	2,520	2,442
- Prepayments	2,271	1,481
	<u>11,222</u>	<u>9,913</u>
Total	<u>31,061</u>	<u>58,348</u>

A13. Trade and other payables

Payables of the Group are as follows:

	As at 31 Dec 2021 RM'000	As at 30 Jun 2021 RM'000 (Audited)
Trade payables	57,510	57,190
Other payables		
- Provision for Universal Service Fund Contribution	6,186	6,671
- Accruals	6,269	5,844
- Deposits payable	1,808	1,777
- Sundry payables	1,536	982
	<u>15,799</u>	<u>15,274</u>
Total	<u>73,309</u>	<u>72,464</u>

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 2021

	3 months ended			6 months ended		
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	% + / (-)	31 Dec 2021 RM'000	31 Dec 2020 RM'000	% + / (-)
Revenue	40,393	40,111	0.70	78,915	76,314	3.41
Profit from operations	12,747	9,272	37.48	25,211	16,869	49.45
Profit before tax	15,914	9,489	67.71	28,366	17,435	62.70

Review of results for the quarter

For the quarter under review, the Group reported a revenue of RM40.39 million which was comparable to the previous year corresponding quarter.

The Group posted a profit before tax for the current quarter of RM15.91 million, which was 67.71% higher than RM9.49 million reported in the previous year corresponding quarter mainly due to higher gross profit contributed by MTNS segment and higher investment related income.

Review of results for the 6-month period

For the 6-month period under review, the Group reported a revenue of RM78.92 million which was 3.41% higher than RM76.31 million reported to the previous year corresponding period mainly due to higher revenue contributed by MTNS segment.

The Group posted a profit before tax for the current period of RM28.37 million which was 62.70% higher than the RM17.44 million reported in the previous year corresponding period mainly due to higher gross profit contributed by MTNS segment and higher investment related income.

B2. Review of results of second quarter vs first quarter for the financial year ending 30 June 2022

	3 months ended		% + / (-)
	31 Dec 2021 RM'000	30 Sep 2021 RM'000	
Revenue	40,393	38,522	4.86
Profit from operations	12,747	12,464	2.27
Profit before tax	15,914	12,452	27.80

Commentary on revenue

The Group reported a revenue of RM40.39 million in this current quarter under review which was 4.86% higher than the RM38.52 million reported in the preceding quarter mainly due to higher revenue contributed by telecommunications services segment.

Commentary on pre-tax profit

The Group reported a profit before tax of RM15.91 million which was 27.80% higher than the preceding quarter mainly due to investment income earned from short term investment.

B3. Prospects and business outlook

The COVID-19 pandemic continued to raise concern impacting the Malaysian economy, 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 segment of growth from recurring businesses.

B4. Profit forecast

No profit forecast was announced.

B5. Corporate proposals

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

B6. Income tax expense

	3 months ended		6 months ended	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Current income tax:				
Provision in current period				
- Malaysian income tax	(4,019)	(1,660)	(7,558)	(3,779)

B7. Profit before tax

	3 months ended		6 months ended	
	31 Dec 2021 RM'000	31 Dec 2020 RM'000	31 Dec 2021 RM'000	31 Dec 2020 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Audit fee - Statutory audit	103	88	190	170
Amortisation of intangible asset	-	13	12	25
Amortisation of development cost	-	19	20	39
Depreciation of property, plant and equipment	452	609	918	1,244
Depreciation of right-of-use assets	1,746	1,580	3,497	3,166
Loss on foreign exchange	4	39	5	32
(Writeback of)/allowance for doubtful debts on:				
- trade receivables	(7)	59	(166)	147
Provision for Universal Service Fund Contribution	281	306	562	617
Expenses relating to leases				
- short term leases	179	204	383	477
- leases of low value assets	43	41	90	85
Staff cost:				
- salaries, bonus, wages and allowances	5,795	5,626	11,590	11,096
- defined contribution plan	695	662	1,387	1,342
- net provision of annual leave	(189)	(47)	189	83
Interest income	(214)	(353)	(410)	(898)
Investment income	(3,137)	-	(3,137)	-
Other income	(98)	(62)	(571)	(76)

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 2021 RM'000	As at 30 Jun 2021 RM'000 (Audited)
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	94	92
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,269	1,317
Total	1,363	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		6 months ended	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	10,980	7,123	19,017	12,786
Weighted average number of ordinary shares in issue with voting rights ('000)	772,952	772,952	772,952	772,952
Basic earnings per share (sen)	<u>1.42</u>	<u>0.92</u>	<u>2.46</u>	<u>1.65</u>

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