

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

Date: 17 November 2022

UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 Sep 2022 RM'000	As at 30 Jun 2022 RM'000 (Audited)
ASSETS			
Non-current Assets			
Goodwill		423	423
Property, plant and equipment		4,626	4,757
Right-of-use assets		2,514	3,336
Investment properties		1,180	1,180
Intangible assets		13,950	11,760
Other investments		40,386	38,360
Deferred tax assets		594	594
		<u>63,673</u>	<u>60,410</u>
Current Assets			
Inventories		512	476
Trade and other receivables	A12	38,529	44,733
Contract assets		81,576	63,547
Tax recoverable		695	476
Short term investments		92,359	50,007
Cash and bank balances		35,580	78,318
		<u>249,251</u>	<u>237,557</u>
TOTAL ASSETS		<u>312,924</u>	<u>297,967</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		76,014	73,949
		<u>220,174</u>	<u>218,109</u>
Non-controlling interests		5,026	5,280
Total Equity		<u>225,200</u>	<u>223,389</u>
Non-current Liabilities			
Loans and borrowings	B8	1,188	1,213
Lease liabilities		764	1,076
		<u>1,952</u>	<u>2,289</u>
Current Liabilities			
Trade and other payables	A13	74,627	59,795
Contract liabilities		5,781	6,223
Loans and borrowings	B8	98	97
Lease liabilities		1,934	2,568
Provision for taxation		3,332	3,606
		<u>85,772</u>	<u>72,289</u>
Total Liabilities		<u>87,724</u>	<u>74,578</u>
TOTAL EQUITY AND LIABILITIES		<u>312,924</u>	<u>297,967</u>
Net assets per share (sen)		<u>28.48</u>	<u>28.22</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 2022.

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 FIRST QUARTER ENDED 30 SEPTEMBER 2022
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	3 months ended	
		30 Sep 2022 RM'000	30 Sep 2021 RM'000
REVENUE		42,053	38,522
PROFIT FROM OPERATIONS		12,269	12,464
Investment related income		5,150	285
Investment related expenses		-	(8)
Finance costs	A11	(166)	(289)
PROFIT BEFORE TAX	B7	17,253	12,452
INCOME TAX EXPENSE	B6	(3,555)	(3,539)
PROFIT AFTER TAX		13,698	8,913
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	271
Total comprehensive income for the financial period		15,724	9,184
<u>Profit/(loss) attributable to:-</u>			
Owners of the Company		13,952	8,037
Non-controlling interests		(254)	876
		13,698	8,913
<u>Total comprehensive income attributable to:-</u>			
Owners of the Company		15,978	8,308
Non-controlling interests		(254)	876
		15,724	9,184
<u>Earnings per share attributable to owners of the parent (sen per share):</u>			
- Basic, for the period	B11	1.81	1.04

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 2022.

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 FIRST QUARTER ENDED 30 SEPTEMBER 2022
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 2022	149,813	(5,653)	(663)	641	19,751	54,220	218,109	5,280	223,389
Total comprehensive income	-	-	-	-	2,026	13,952	15,978	(254)	15,724
Transaction with owners:									
- Dividend payable	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
At 30 September 2022	149,813	(5,653)	(663)	641	21,777	54,259	220,174	5,026	225,200
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
Transactions 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

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 2022.

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 FIRST QUARTER ENDED 30 SEPTEMBER 2022
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	3 months ended	
	30 Sep 2022	30 Sep 2021
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	30,656	34,633
Payment for operating expenses	(27,212)	(21,777)
Net tax payment	(4,048)	(3,333)
Other payments	(22)	(6)
Net cash (used in)/generated from operating activities	<u>(626)</u>	<u>9,517</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in deposits and short term investments	(36,822)	(16,930)
Acquisition of property, plant and equipment	(10)	(147)
Acquisition of intangible asset	(3,660)	-
Interest received	331	157
Dividend received	104	-
Net cash used in investing activities	<u>(40,057)</u>	<u>(16,920)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(975)	(1,840)
Repayment of bank borrowings and other loans	(24)	(23)
Interest paid	(166)	(289)
Net cash used in financing activities	<u>(1,165)</u>	<u>(2,152)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(41,848)	(9,555)
OPENING CASH AND CASH EQUIVALENTS	49,377	14,837
CLOSING CASH AND CASH EQUIVALENTS	<u>7,529</u>	<u>5,282</u>
The closing cash and cash equivalents comprise of the following:		
Deposits with licensed banks	28,051	27,690
Cash in hand and at banks	7,529	5,282
	<u>35,580</u>	<u>32,972</u>
Less:		
Deposits pledged to licensed banks	(28,051)	(27,690)
	<u>7,529</u>	<u>5,282</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 2022.

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 FIRST QUARTER ENDED 30 SEPTEMBER 2022

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 2022. 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 2022. 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 2022:

(a) Share capital

	Number of Ordinary Shares	RM
Share capital as at 1 July 2022/30 September 2022	782,453,885	149,812,475

(b) Share buy-back

There was no share buy back transacted during the quarter ended 30 September 2022 and the number of treasury shares held in hand as at 30 September 2022 are as follows:

	Average price per share RM	Number of shares	Amount RM'000
Total treasury shares as at 30 September 2022	0.595	9,502,000	5,653

As at 30 September 2022, the number of outstanding shares in issue with voting rights was 772,951,885 (30 June 2022: 772,951,885) ordinary shares.

A8. Contingent liability

Bank guarantees of the Group are as follows:

	As at 30 Sep 2022 RM'000	As at 30 Jun 2022 RM'000 (Audited)
Performance bonds in favour of various government and statutory bodies and private companies	37,938	38,707

A9. Dividends paid

There was no dividend paid during the period under review (period ended 30 September 2021: RM Nil).

A10. Segment information

The segment information for the reportable segments by line of business for the quarter ended 30 September 2022 are as follows:-

	Year to date 30 Sep 2022 RM'000
<u>Revenue</u>	
Telecommunication services	25,826
Managed telecommunication network services ("MTNS")	15,226
Industry digital services	1,001
Total revenue	42,053
<u>Results</u>	
Telecommunication services	8,078
MTNS	5,861
Industry digital services	(1,302)
	12,637
Indirect corporate expenses	(368)
Profit from operations	12,269
Investment related income	5,150
Finance costs	(166)
Profit before tax	17,253
Income tax expense	(3,555)
Profit after tax	13,698

A11. Finance costs

	3 months ended	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000
Interest expense on:		
- term loans	16	17
- lease liabilities	51	139
- others	17	17
Bank guarantee fee	82	116
	166	289

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 2022 RM'000	As at 30 Jun 2022 RM'000 (Audited)
Trade receivables	31,310	37,941
Other receivables		
- Third parties, associates and sundry receivables	2,921	2,922
- Deposits	2,246	2,223
- Prepayments	2,052	1,647
	7,219	6,792
Total	38,529	44,733

A13. Trade and other payables

Payables of the Group are as follows:

	As at 30 Sep 2022 RM'000	As at 30 Jun 2022 RM'000 (Audited)
Trade payables	45,283	45,506
Other payables		
- Provision for Universal Service Fund Contribution	6,331	6,122
- Accruals	5,662	4,833
- Deposits payable	1,812	1,796
- Sundry payables	1,626	1,538
- Dividend payable	13,913	-
	29,344	14,289
Total	<u>74,627</u>	<u>59,795</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 2022

	<u>3 months ended</u>		%
	<u>30 Sep 2022</u>	<u>30 Sep 2021</u>	
	RM'000	RM'000	+ / (-)
Revenue	42,053	38,522	9.17
Profit from operations	12,269	12,464	-1.56
Profit before tax	17,253	12,452	38.56

Review of results for the quarter

For the quarter under review, the Group reported a revenue of RM42.05 million which was 9.17% higher than RM38.52 million reported in the previous year corresponding quarter resulting from higher revenue registered by the telecommunication services segment.

The Group posted a profit before tax for the current quarter of RM17.25 million, which was 38.56% higher than RM12.45 million reported in the previous year corresponding quarter resulting from fair value gain on short term investment.

B2. Review of results of first quarter 2023 vs fourth quarter 2022

	<u>3 months ended</u>		%
	<u>30 Sep 2022</u>	<u>30 Jun 2022</u>	
	RM'000	RM'000	+ / (-)
Revenue	42,053	42,412	-0.85
Profit from operations	12,269	14,765	-16.90
Profit before tax	17,253	15,983	7.95

Commentary on revenue

The Group reported a revenue of RM42.05 million in this current quarter under review which was comparable to the preceding quarter.

Commentary on results

The Group reported a profit before tax of RM17.25 million which was 7.95% higher than the RM15.98 million in the preceding quarter as a result from fair value gain on short term investment. Lower profit from operations was mainly due to lower gross profit contributed by MTNS segment.

B3. Prospects and business outlook

The Board of Directors is of the view that the business and operating performance of the Group for the remaining quarters will be challenging and competitive especially for telecommunication services segment, due to intense competition in telecommunication industry. The Group will continue to adopt measures to improve operational efficiencies and profitability in its core businesses. The management expects that the MTNS segment will increase its contribution to the Group while data services for enterprise market would continue to be the main focus in recurring businesses.

B4. Profit forecast

No profit forecast was announced.

B5. Corporate proposal

On 2 November 2022, the Company announced its proposed transfer of the listing of its entire share capital from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad. The said proposal is pending approval of the relevant authorities.

B6. Income tax expense

	<u>3 months ended</u>	
	<u>30 Sep 2022</u>	<u>30 Sep 2021</u>
	RM'000	RM'000
Current income tax:		
Provision in current period		
- Malaysian income tax	(3,555)	(3,539)

The disproportionate tax charge of the Group for the current quarter was mainly due to non-taxable income.

B7. Profit before tax

	3 months ended	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000
Profit before tax is arrived at after charging/(crediting):-		
Audit fee - Statutory audit	119	87
Amortisation of intangible asset	1,470	12
Amortisation of development cost	-	20
Depreciation of property, plant and equipment	139	466
Depreciation of right-of-use assets	851	1,751
(Gain)/loss on foreign exchange	(39)	1
Write back of doubtful debts on:		
- trade receivables	(65)	(159)
Provision for Universal Service Fund Contribution	209	281
Expenses relating to leases		
- short term leases	207	204
- leases of low value assets	41	47
Staff cost:		
- salaries, bonus, wages and allowances	6,358	5,795
- defined contribution plan	766	692
- net (write back)/provision of annual leave	(223)	378
Interest income	(351)	(196)
Fair value gain on short term investment	(4,640)	-
Other income	(160)	(473)

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 2022 RM'000	As at 30 Jun 2022 RM'000 (Audited)
Current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	98	97
Non current		
<u>Secured</u>		
Term loan facilities, which are denominated in Ringgit Malaysia	1,188	1,213
Total	1,286	1,310

B9. Material litigation

There is no material litigation since the last annual reporting date up to the date of this announcement.

B10. Dividend

No dividend declared in respect of the current quarter under review.

B11. Earnings per share

Basic earnings per share is calculated as follows:

	3 months ended	
	30 Sep 2022 RM'000	30 Sep 2021 RM'000
Profit attributable to owners of the Company	13,952	8,037
Weighted average number of ordinary shares in issue with voting rights ('000)	772,952	772,952
Basic earnings per share (sen)	1.81	1.04

There are no potential ordinary shares outstanding as at 30 September 2022. As such, the fully diluted earnings per share of the Group is not presented.